

**AFTER RECORDING,
RETURN TO:**
City of Frisco, Texas
5101 Frisco Square Blvd
5th Floor
Frisco, Texas 75034

STATE OF TEXAS

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COUNTY OF DENTON

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ANNEXATION AGREEMENT

This Annexation Agreement ("Agreement") is made and entered into as of this ____ day of August, 2009, ("Effective Date") by and between the City of Frisco, Texas, ("City") and Eland Energy, Inc. ("Owner") on the terms and conditions hereinafter set forth.

WHEREAS, Owner owns approximately 463.43 acres, more or less, situated in the F. Hawkins Survey, Abstract No. 582, W.P. Bates Survey, Abstract No. 73, J. Bates Survey, Abstract No. 1620, A.W. Robertson Survey, Abstract No. 1487, J. L. Saling Survey, Abstract No. 1675, S. Whittenburg Survey, Abstract No. 1510 and R. Bates Survey, Abstract No. 68, Denton County, Texas, which is more particularly described in ***Exhibit "A"***, attached hereto and incorporated herein for all purposes as if fully set forth verbatim herein ("Property"); and

WHEREAS, City and the Owner desire that the property be developed as set forth herein;
and

WHEREAS, pursuant to Section 43.035 of the Texas Local Government Code, City desires to annex certain lands including the Property; and

WHEREAS, pursuant to Section 212.172 of the Texas Local Government Code, City is authorized to make a written contract with an owner of land that is located in the extraterritorial jurisdiction of the municipality for purposes set forth in that section; and

WHEREAS, the parties desire to agree on the matters set forth in this Agreement pursuant to Section 212.172 of the Texas Local Government Code and for the purposes set forth in that section.

NOW, THEREFORE, in consideration of the mutual benefits and premises contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, City and Owner agree as follows:

1. Land Subject to Agreement. The land that is subject to this Agreement is the Property. Owner represents that it is the sole owner of the Property.

2. Use and Development. The use and development of the Property before and after annexation shall conform to all City ordinances, rules, regulations and requirements, as they exist, may be amended or in the future arising, applicable to the development and use of the Property; provided, however, any structures existing on the Property on the Effective Date shall be considered legal, conforming structures and uses and any structures to be constructed on the Property for agricultural, uninhabitable uses may be constructed in accordance with the rules and regulations in effect for such structures constructed in the extraterritorial jurisdiction immediately prior to the Effective Date. Notwithstanding anything to the contrary herein, all inhabitable structures shall be constructed in accordance with the applicable rules and regulations of City, whether now existing or in the future arising, as though the structure was located within the corporate limits of City. Provided Owner is in compliance with this Agreement, City will not enforce any legislation adopted by City with regard to hunting unless the health, safety or welfare of any person is at risk. Additionally, and provided Owner is in compliance with this Agreement, City will not enforce any legislation adopted by City with regard to vegetation or grass unless such vegetation or grass interferes with Visibility, Access, Maintenance (V.A.M.) requirements at any intersection of public thoroughfares provided in the Engineering Standards and Construction Details, Section 6, Thoroughfare and Circulation and Design Requirements, as they exist or may be amended. Prior to annexation, the Property shall be developed as if it has been designated with agricultural zoning in accordance with City's Comprehensive Zoning Ordinance, as it exists or may be amended. Unless otherwise approved by the City Council, the Property shall be developed in accordance with the Comprehensive Land Use Plan in effect upon the date of termination. This Paragraph shall survive the termination of this Agreement.

3. Annexation and Zoning. City will not annex the Property, unless requested to do so by Owner, during the term of this Agreement provided that Owner complies with the terms and conditions of this Agreement. The parties agree that City, in its sole discretion, shall determine whether Owner is in compliance with the Agreement and whether it will approve annexation of the Property. Simultaneously with the termination of this Agreement City and Owner agree that City may, in its sole discretion, initiate annexation proceedings for the Property.

4. Water and Sewer Service. Following annexation of the Property by City, City agrees to provide the water and sewer service for the Property in accordance with the Local Government Code and the annexation service plan.

5. Other Development Fees. City ordinances covering park dedication and/or payment in lieu of dedication of land, utility rates, permit fees, impact fees and the like are not affected by this Agreement and shall be applied to the Property in the same manner as any other Property located within City's corporate boundaries; provided, however, nothing herein is intended to, nor shall it, amend, modify or limit any existing or future agreement between City and Owner with regard to the Property, including without limitation, any agreement establishing or limiting impact fees. Further this Agreement does not waive or limit any of the obligations of Owners to City under any other ordinance, whether now existing or in the future arising.

6. Term. This Agreement is an agreement authorized by Section 212.172 of the Texas Local Government Code. The term of this Agreement shall be five (5) years from the Effective Date unless terminated earlier in accordance with the terms of this Agreement. The term of this Agreement shall not be affected by the fact that some or all of the Property is annexed into the corporate limits of City.

7. Default. If any party breaches any of the terms of this Agreement, then that party shall be in default ("Defaulting Party") of this Agreement ("Event of Default"). If an Event of Default occurs, the non-defaulting party shall give the Defaulting Party written notice of such Event of Default, and if the Defaulting Party has not cured such Event of Default within thirty (30) days of said written notice, this Agreement is breached. Each party is entitled to all remedies available to it at law or in equity.

8. Notice. Any notice required or permitted to be delivered hereunder shall be deemed to be delivered, whether or not actually received, when deposited in the United States Mail, postage pre-paid, certified mail, return receipt requested, addressed to either party, as the case may be, at the addresses contained below:

City: City of Frisco
6101 Frisco Square Blvd., 5th Floor
Frisco, Texas 75034
Attn: City Manager

With a copy to: Rebecca Brewer
Abernathy, Roeder, Boyd & Joplin, P.C.
1700 Redbud Blvd.
Suite 300
P.O. Box 1210
McKinney, TX 75070-1210

Owner: Eland Energy, Inc.
Two Galleria Towers
13455 Noel Road, Suite 2000
Dallas, Texas 75240
Attn: Gregg Allen

With copy to: Van Nichols
1341 S. Preston Road, Suite C
Celina, Texas 75009

9. Miscellaneous.

(a) Assignment. This Agreement is assignable. If all or a portion of the Property is transferred, sold or conveyed, the Owner shall give notice immediately to City of the name, address, phone number and contact person of the person or entity acquiring an interest in the Property. This Agreement shall run with the land and shall be binding on and inure to the benefit of the Owner's successors and assigns.

(b) Compliance with Ordinances. Except as provided for in this Agreement, the parties agree that the Owners shall be subject to all ordinances of City. All construction will be in accordance with applicable ordinances and regulations of City, whether now existing or in the future arising.

(c) Entire Agreement. This Agreement contains the entire agreement of the parties with respect to the matters contained herein and may not be modified or terminated except upon the mutual written agreement of the parties hereto.

(d) Venue. This Agreement shall be construed in accordance with the laws of the State of Texas and shall be performable in Collin County, Texas. Exclusive venue shall be in Collin County, Texas.

(e) Consideration. This Agreement is executed by the parties hereto without coercion or duress and for substantial consideration, the sufficiency of which is forever confessed.

(f) Counterparts. This Agreement may be executed in a number of identical counterparts, each of which shall be deemed an original for all purposes.

(g) Authority to Execute. The individuals executing this Agreement on behalf of the respective parties below represent to each other and to others that all appropriate and necessary action has been taken to authorize the individual who is executing this Agreement to do so for and on behalf of the party for which his or her signature appears, that there are no other parties or entities required to execute this Agreement in order for the same to be an authorized and binding agreement on the party for whom the individual is signing this Agreement and that each individual affixing his or her signature hereto is authorized to do so, and such authorization is valid and effective on the date hereof.

(h) Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns.

(i) Savings/Severability. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid illegal or unenforceable in any respect, such

invalidity, illegality or unenforceability shall not affect any other provision thereof, and this Agreement shall be construed as if such invalid illegal or unenforceable provision had never been contained herein.

(j) Representations. Each signatory represents this Agreement has been read by the party for which this Agreement is executed and that such party has had an opportunity to confer with its counsel.

(k) Sovereign Immunity. The parties agree that City has not waived its sovereign immunity by entering into and performing their respective obligations under this Agreement, except as to the specific performance of this Agreement.

(l) Miscellaneous Drafting Provisions. This Agreement shall be deemed drafted equally by all parties hereto. The language of all parts of this Agreement shall be construed as a whole according to its fair meaning and any presumption or principle that the language herein is to be construed against any party shall not apply. Headings in this Agreement are for the convenience of the parties and are not intended to be used in construing this document

(m) Incorporation of Recitals. The Recitals above are incorporated herein as if repeated verbatim.

(n) No Chapter 245 Permit. This Agreement, and any requirement contained in this Agreement, shall not constitute a "permit" as defined in Chapter 245, Texas Local Government Code. **THIS PARAGRAPH SHALL SURVIVE THE TERMINATION OF THIS AGREEMENT.**

IN WITNESS WHEREOF, the parties have executed this Agreement and caused this Agreement to be effective on the latest date as reflected by the signatures below.

CITY OF FRISCO, TEXAS

By: _____
George Purefoy, City Manager

ATTEST:

Jenny Page, City Secretary

OWNER:
ELAND ENERGY, INC.

By: _____
Gregg Allen, President

STATE OF TEXAS §
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COUNTY OF COLLIN §

BEFORE ME, the undersigned authority, on this day personally appeared **George Purefoy**, City Manager of the City of Frisco, Texas, being the person whose names are subscribed to the foregoing instrument; he acknowledged to me he is the duly authorized representative for **City of Frisco, Texas**, and he executed said instrument for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this ____ day of _____, 2009.

Notary Public in and for the State of Texas
My Commission Expires:

STATE OF TEXAS §
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COUNTY OF _____ §

BEFORE ME, the undersigned authority, on this day personally appeared **Gregg Allen**, the President of Eland Energy, Inc., a Texas corporation, being the person whose names are subscribed to the foregoing instrument; he acknowledged to me that he is the duly authorized representative for **Eland Energy, Inc.**, and he executed said instrument for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this ____ day of _____, 2009.

Notary Public in and for the State of Texas
My Commission Expires:

Exhibit "A"
Description of Property
(3 pages attached)

Exhibit "A"

BEING all that certain tract or parcel of land lying and being situated in the F. Hawkins Survey Abstract 582, W. P. Bates Survey Abstract 73, J. Bates Survey Abstract 1620, A. W. Robertson Survey Abstract 1487, J. L. Sailing Survey Abstract 1675 and the S. Whittenburg Survey Abstract 1510, City of Frisco, Denton County, Texas and being the same tracts as described in a Deed from M. B. Rudman to Raymond A. Williams, Jr., recorded in Volume 2017, Page 32, Real Property Records of Denton County, Texas and being the same tracts described in a Deed from M. B. Rudman to Raymond A. Williams, Jr., recorded in Volume 2017, Page 40, Real Property Records of Denton County, Texas and being more particularly described as follows:

BEGINNING at an iron rod set at a fence corner post at the Southeast corner of the W. P. Bates Survey Abstract 73, and the Northernmost Northeast corner of the M.B.F. F.R.R. Co. Survey Abstract 941;

THENCE South 89 degrees 10 minutes 23 seconds West with the South line of said Bates Survey Abstract 73, along and near a fence, passing at 2310.98 feet a fence corner post on the East line of Panther Creek Road, and continuing inwith in the South line of said survey in Panther Creek Road, a total distance of 3307.94 feet to an iron rod set for corner at the Southwest corner of said W. P. Bates Survey and the Southeast corner of the First Tract deeded to Bert Fields, Jr. recorded in Volume 523, Page 681, Deed Records of Denton County, Texas, and also being the Southeast corner of the Southernmost Southeast corner of the S. Whittenburg Survey Abstract 1510;

THENCE North 01 degrees 38 minutes 21 seconds West with the West line of said Williams Tract and the East line of said Fields Tract along and near a fence a distance of 381.52 feet to a found concrete monument stamped J-825-9 for corner;

THENCE North 00 degrees 41 minutes 36 seconds West with the West line of said Williams Tract and the East line of said Fields Tract along and near a fence a distance of 790.34 feet to a found concrete monument stamped J-825-1 for corner;

THENCE North 00 degrees 59 minutes 06 seconds West with the West line of said Williams Tract and the East line of said Fields Tract, a distance of 1383.71 feet to an iron rod found in the intersection of Gibbs Road and Hawkins Road, at the Southeast corner of a 75.9286 acre tract deeded to Raymond A. Williams, Jr. recorded in Volume 2017, Page 32, Real Property Records of Denton County, Texas and being the Northeast corner of said Bert Fields Tract;

THENCE South 88 degrees 51 minutes 05 seconds West with the South line of said Williams Tract and the North line of said Fields Tract in the middle of Gibbs Road, a distance of 1165.50 feet to an iron rod found for corner at the Southernmost Southwest corner of said Williams Tract and the Southeast corner of a 71.5 acre First Tract deeded to Gary B. Davis, recorded in Volume 779, Page 888, Deed Records of Denton County, Texas;

THENCE North 01 degrees 15 minutes 09 seconds West with the West line of said Williams Tract and the East line of said Davis Tract, along and near a fence, a distance of 2126.17 feet to an iron rod found at a fence corner post at the Northeast corner of said Davis Tract on the South line of the Sailing Survey Abstract 1675 and the North line of the Robertson Survey Abstract 1487;

THENCE South 88 degrees 37 minutes 49 seconds West with the South line of the Sailing Survey and the North line of the Robertson Survey along and near a fence, a distance of 337.13 feet to an iron rod found at a fence corner post at the Southeast corner of a 20.83 acre Second Tract deeded to Gary B. Davis, recorded in Volume 779, Page 888, Deed Records of Denton County, Texas and the Westernmost Southwest corner of said Williams Tract;

THENCE North 00 degrees 59 minutes 37 seconds West with the West line of said Williams Tract and the East line of said Davis Tract, along and near a fence, a distance of 786.09 feet to an iron rod found at the Northwest corner of said Williams Tract and the Northeast corner of said Davis Tract, on the South right of way of U.S. Highway 380 (having a width of 120.00 feet);

THENCE North 87 degrees 49 minutes 28 seconds East with the South right of way of U.S. Highway 380, a distance of 1067.89 feet to an iron rod found at a monument;

THENCE South 46 degrees 34 minutes 53 seconds East with said Highway right of way a distance of 140.38 feet to an iron rod found for corner;

THENCE North 43 degrees 20 minutes 24 seconds East with said Highway right of way, a distance of 142.43 feet to a monument found for corner;

THENCE North 87 degrees 50 minutes 57 seconds East with said Highway right of way, a distance of 1101.50 feet to an iron rod found for corner at the Northeast corner of a 19.561 acre Williams Tract and the Northwest corner a tract deeded to J. B. Daiches, recorded in Volume 992, Page 875, Deed Records of Denton County, Texas;

THENCE South 01 degrees 18 minutes 00 seconds East with the East line of said Williams Tract and the West line of said Daiches Tract, a distance of 717.19 feet to an iron rod set for corner in the middle of a Gravel Road at the Southeast corner of said 19.561 acre Williams Tract and the Southwest corner of said Daiches Tract, on the North line of 285.1581 acre tract deeded to Williams;

THENCE North 88 degrees 17 minutes 54 seconds East with the North line of said 285.1581 acre Williams Tract and the South line of said Dalches Tract in said Gravel Road, passing at 619.48 feet an iron rod at the Southeast corner of said Dalches Tract and the Southwest corner of a tract deeded to John K. Blake, recorded in Volume 992, Page 864, Deed Records of Denton County, Texas and continuing and passing at 1230.32 feet an iron rod found at the Southeast corner of said Blake Tract and the Southwest corner of a tract deeded to Charles E. Shoemaker, recorded in Volume 2841, Page 882, Real Property Records of Denton County, Texas and continuing a total distance of 1740.41 feet to an iron rod set at the Northeast corner of said 285.1581 acre Williams Tract and the Northwest corner of a tract deeded to the Rudman Partnership, recorded in Volume 2844, Page 42, Real Property Records of Denton County, Texas;

THENCE South 01 degrees 04 minutes 48 seconds East with the West line of said Williams Tract and the East line of said Rudman Tract, along and near a fence, a distance of 3889.56 feet to an iron rod found for corner;

THENCE South 46 degrees 04 minutes 48 seconds East with the West line of said Rudman Tract along and near a fence, a distance of 989.89 feet to an iron rod found for corner at the Southeast corner of said Rudman Tract and being on the East line of the W. P. Bates Survey Abstract 73 and the West line of the R. Bates Survey Abstract 68;

THENCE South 01 degrees 04 minutes 48 seconds East with the East line of said Williams Tract and the East line of the W. P. Bates Survey, along and near a fence a distance of 235.80 feet to the POINT OF BEGINNING and CONTAINING in all 395.243 acres of land, more or less.


Tim Allen, President
Eland Energy, Inc.

EXHIBIT "A"

Being all that certain tract or parcel of land lying and being situated in the F. HAWKINS SURVEY, ABSTRACT NO. 582 and the W. BATES SURVEY, ABSTRACT No. 73, Denton County, Texas and being part of a (called) 353.344 tract of land described in a deed from Eleanor Jean Davidson, to Rudman Resources, Inc., and Raymond A. Williams, Jr., filed July 15, 1980, recorded in Volume 1025, Page 25, Deed Records, Denton County, Texas, and being more particularly described as follows:

BEGINNING at a found 1/2 inch iron rod at the intersection of Fields Road and a public road, at the Northeast corner of said 353.344 acre tract, also being the Southeast corner of a tract of land described in a deed to Bob Houser, recorded in Volume 992, Page 869, Deed Records, Denton County, Texas, also being the Northeast corner of said Hawkins Survey, and the Southeast corner of the C. Smith Survey, Abstract No. 1681, Denton County, Texas, and being on the West line of a tract of land described in a deed to Bert Fields, Jr., recorded in Volume 375, Page 333, Deed Records, Denton County, Texas, and being on the West line of the C. Jackson Survey, Abstract No. 665, Denton County, Texas;

THENCE South 01 degrees 04 minutes 48 seconds East with the East line of said 353.344 acre tract, passing the Southeast corner of said Hawkins Survey, and the Northeast corner of said W. Bates Survey, continuing a distance of 4597.11 feet to a set 1/2 inch iron rod at the Southernmost Northeast corner of a tract of land described in a deed to Eland Energy, Inc., recorded under County Clerk's file No. 97-R0032487, Real Property Records, Denton County, Texas;

THENCE North 46 degrees 04 minutes 48 seconds West, with a North line of said Eland Energy, Inc., tract, a distance of 989.88 feet to a fence corner post;

THENCE North 01 degrees 04 minutes 48 seconds West, with the East line of said Eland Energy, Inc., tract, passing the North line of said W. Bates Survey, and the South line of said Hawkins Survey, continuing a distance of 3889.56 feet to a set 1/2 inch iron rod, near a fence corner post, at the Easternmost Northeast corner of said Eland Energy, Inc., tract, on the South line of a tract of land described in a deed to Charles E. Shoemaker, et ux, recorded in Volume 2841, Page 882, Real Property Records, Denton County, Texas, in the middle of a road;

THENCE North 88 degrees 17 minutes 54 seconds East with the North line of said 353.344 acre tract, passing the Southeast corner of said Shoemaker tract and the Southwest corner of said Houser tract, continuing a distance of 700.00 feet to the POINT OF BEGINNING and containing in all 68.185 acres of land.